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C O N F I D E N T I A L SECTION 01 OF 02 HELSINKI 000402

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SUBJECT: FINLAND: PUTIN WARMS UP IN LATEST MEETING WITH
VANHANEN

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Classified By: DCM Michael A. Butler for reasons 1.4(b) and (d)

11. (C) SUMMARY. In a dramatic departure from their meeting last June, on October 25 Russian Prime Minister Putin warmly greeted Finnish Prime Minister Vanhanen in St. Petersburg. Describing Finland as a good partner, a smiling Putin put a positive face on Finnish-Russian relations. Putin pointed to progress on several bilateral matters, and announced the extension of Russia's suspension of an export duty on roundwood, important to Finland's paper industry. Putin thanked Vanhanen for its decision regarding the Nord Stream project even though the Finnish government has not completed its environmental review. Putin also raised some topics on his own, unusual for his meetings with Vanhanen, including Russia's WTO membership and the environmental health of the Baltic Sea. He spoke positively about the South Stream pipeline project, and about decreased demand for natural gas possibly impacting Russian plans related to liquified natural gas. The Finns found few concrete matters issuing from the meeting, but they welcomed the change in tone. END SUMMARY.

12. (C) In an October 28 meeting with Pol/Econ chief, Prime Minister Vanhanen's Senior Advisor Esko Hamilo described a much warmer meeting between PM Vanhanen and Russian PM Putin in St. Petersburg on October 25 than occurred last June (reftel). Hamilo spoke of an "excellent" atmosphere, a distinct departure from the "bitter and unpleasant" atmosphere in the June meeting; a "smiling Mr. Putin" was very "forthcoming and understanding" and raised some unexpected topics on his own, like Baltic Sea and environmental issues (see below). As an example of Putin's changed attitude, Hamilo noted that a cross-border child custody case proved to be a source of obvious irritation for Putin last June, but when a Finnish journalist raised it on October 25 Putin dismissed the case as having no impact on bilateral relations. (NOTE: Hamilo said Finnish officials have observed a similar warming in meetings with other Russian officials, in particular on the topic of energy. He speculated that the global downturn has forced a lighter and less high-handed approach. END NOTE.)

13. (C) At the start of the meeting Putin praised Finland as a good partner of - and good investor in - Russia before launching into an extended monologue that addressed several matters:

- NORD STREAM: As with the last 3-4 bilateral meetings, Nord Stream started the discussion though this time Putin only devoted approximately five minutes to the pipeline project. Oddly, Putin thanked Vanhanen for the government's (GOF)

decision, even though the GOF has not completed its environmental review. Putin clearly had the impression that the GOF would render a positive decision. (NOTE: Vanhanen has stated publicly that the GOF likely would conclude its environmental review in October. END NOTE.) Putin then spoke briefly about the South Stream pipeline and negotiations with the government of Turkey. Hamilo took this reference as a signal that as the South Stream project was progressing, Nord Stream was becoming less important.

- BILATERAL PROGRESS: Putin highlighted progress on smaller bilateral matters like a fast train connection. He also said that Russia would extend for another year its 2008 decision to suspend its roundwood export duty, and indicated that another extension would follow for 2011. According to Hamilo, the Finns feel the Russian government realized its mistake in raising the duty, as Finnish companies froze plans to invest in the Russian forestry industry and the industry has collapsed in the Karelia region of western Russia; the Russians might be looking for a way to climb down from their position.

- BALTIC ENVIRONMENT: Putin expressed interest in the Helsinki Commission's (HELCOM) Baltic Sea Action Summit in 2010. He promised to look into problems surrounding plans to construct a water treatment plant in Kaliningrad (a concern to the Finns due to untreated sewage entering the Baltic).

- WTO: Putin was very forceful in stating Russia's intention to join the WTO. This surprised Hamilo, as he has found other Russian officials to be more dismissive of Russia's membership. Putin said Russia could not neglect its customs union with Belarus and Kazakhstan, but said that the union should not pose an insurmountable obstacle under WTO rules (Hamilo described this as a "where there's a will there's a

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way" argument).

- CLIMATE CHANGE: Putin assured Vanhanen of Russia's intention to attend and to play a constructive role at the Copenhagen Summit, and afterwards. He spoke broadly of the need for "balance" between developing and developed countries, and said that "greater polluters bear greater responsibility." He also asserted that Russia has done more than would be required under Kyoto.

14. (C) Following Putin's monologue, Vanhanen ran through his points. He explained - again - the GOF's ongoing environmental review of the Nord Stream project. He voiced his satisfaction that Russia would extend the wood duty and that it would participate in the Copenhagen Summit. He also expressed Finland's hope that Russia would join the WTO.

15. (C) Vanhanen asked about Russia's intentions regarding the Shtokman gas field in the Barents Sea. Putin said Russia had not changed plans regarding the field, then quickly turned to the status of South Stream again. He later commented on how overall demand for natural gas had decreased, which might impact Russian plans related to liquified natural gas. (LNG). Hamilo speculated to Pol/Econ chief that Putin actually might have been signaling a re-thinking of their plans for Shtokman: to the extent the Russians considered the field as a source of LNG for the US market, their interest might be waning following identification of gas fields in the US (though Hamilo also thought the Russians currently are more interested in the Yamal fields).

16. (C) Hamilo concluded that other than the rollover of the suspension of the roundwood duty the Vanhanen-Putin meeting offered nothing concrete. He stressed that the change in tone was a huge advance over the prior meeting. Between now and the next bilateral meeting - tentatively scheduled for May 2010 - the Finns will see whether a warmer atmosphere translates into positive action.

